

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Stockbridge	County Ingham
Fiscal Year End February 28, 2006	Opinion Date April 28, 2006	Date Audit Report Submitted to State September 1, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number (517) 788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
		Zip 49203	
Authorizing CPA Signature F. Roger Mack, CPA	Printed Name F. Roger Mack		License Number 1101020342

**Village of Stockbridge, Michigan**

Financial Statements  
And Independent Auditors' Report

Year Ended February 28, 2006

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### Independent Auditors' Report

Members of the Village Council  
Village of Stockbridge  
Stockbridge, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Stockbridge has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 26 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

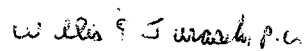
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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2006, on our consideration of the Village's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Stockbridge's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Village of Stockbridge. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Willis & Jurasek, P.C.

April 28, 2006



**Report Based on an Audit of Financial Statements  
Performed in Accordance With  
Government Auditing Standards**

Members of the Village Council  
Village of Stockbridge  
Stockbridge, Michigan

We have audited the financial statements of the Village of Stockbridge as of and for the year ended February 28, 2006, and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Stockbridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Stockbridge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management, and State agencies, and is not intended to be and should not be used by anyone other than those specified.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

April 28, 2006

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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

**Village of Stockbridge**  
**Statement of Net Assets**  
February 28, 2006

	Primary Government			Component Unit
	Governmental	Business-type		Downtown
	Activities	Activities	Total	Development Authority
<b>Assets:</b>				
Cash and investments	\$ 545,413	\$ 201,566	\$ 746,979	\$ 209,718
Receivables	37,171	84,634	121,805	287,409
Internal balances	40,000	(40,000)	-	-
Capital assets, net:				
Not being depreciated	304,778	2,665,588	2,970,366	-
Being depreciated	<u>1,266,135</u>	<u>2,766,104</u>	<u>4,032,239</u>	-
Total assets	<u>2,193,497</u>	<u>5,677,892</u>	<u>7,871,389</u>	<u>497,127</u>
<b>Liabilities:</b>				
Accounts payable	24,856	11,008	35,864	42,125
Accrued expenses	12,443	-	12,443	155,800
Accrued interest	2,163	27,889	30,052	-
Deferred revenue	640	-	640	-
Noncurrent liabilities:				
Due within one year	41,000	165,000	206,000	-
Due in more than one year	<u>230,590</u>	<u>2,718,940</u>	<u>2,949,530</u>	<u>44,479</u>
Total liabilities	<u>311,692</u>	<u>2,922,837</u>	<u>3,234,529</u>	<u>242,404</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	1,297,160	2,519,863	3,817,023	-
Unrestricted	<u>584,645</u>	<u>235,192</u>	<u>819,837</u>	<u>254,723</u>
Total net assets	<u>\$ 1,881,805</u>	<u>\$ 2,755,055</u>	<u>\$ 4,636,860</u>	<u>\$ 254,723</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Activities  
Year Ended February 28, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u> <u>Revenues</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government</b>				
Governmental activities:				
Legislative	\$ 60,641	\$ -	\$ -	\$ (60,641)
General government	256,690	32,102	-	(224,588)
Public safety	130,199	-	-	(130,199)
Public works	138,009	39,064	78,348	(20,597)
Highways and streets	-	-	-	-
Culture and recreation	18,372	-	-	(18,372)
Other	50,568	-	-	(50,568)
Interest on long-term debt	12,373	-	-	(12,373)
Unallocated depreciation	<u>6,027</u>	<u>-</u>	<u>-</u>	<u>(6,027)</u>
Total governmental activities	<u>672,879</u>	<u>71,166</u>	<u>78,348</u>	<u>(523,365)</u>
Business-type activities:				
Water	203,772	146,014	-	(57,758)
Sewer	<u>343,735</u>	<u>352,020</u>	<u>-</u>	<u>8,285</u>
Total business-type activities	<u>547,507</u>	<u>498,034</u>	<u>-</u>	<u>(49,473)</u>
Total primary government	<u>\$ 1,220,386</u>	<u>\$ 569,200</u>	<u>\$ 78,348</u>	<u>\$ (572,838)</u>
<b>Component Unit</b>				
Downtown Development Authority	<u>\$ 275,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(275,842)</u>

continued..



**Village of Stockbridge,**  
Statement of Activities (Continued)  
Year Ended February 28, 2006

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
<b>Changes in Net Assets:</b>				
Net (expenses) revenues	\$ (523,365)	\$ (49,473)	\$ (572,838)	\$ (275,842)
General revenues:				
Property taxes	306,246	-	306,246	228,192
Unrestricted grants and contributions	122,613	-	122,613	-
Interest and investment earnings	12,472	5,903	18,375	1,804
Other revenues	129,478	37,709	167,187	41,624
Transfers - internal activities	(1,403)	59,313	57,910	(57,910)
Total general revenues and transfers	<u>569,406</u>	<u>102,925</u>	<u>672,331</u>	<u>213,710</u>
<b>Changes in Net Assets</b>	46,041	53,452	99,493	(62,132)
<b>Net Assets - Beginning of Year</b>	<u>1,835,764</u>	<u>2,701,603</u>	<u>4,537,367</u>	<u>316,855</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,881,805</u>	<u>\$ 2,755,055</u>	<u>\$ 4,636,860</u>	<u>\$ 254,723</u>

See Notes to Financial Statements.

**Village of Stockbridge**

Balance Sheet  
 Governmental Funds  
 February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash	\$ 170,903	\$ 152,843	\$ 74,953	\$ 109,806	\$ 508,505
Receivables:					
Accounts receivable	12,712	-	-	-	12,712
Due from other governmental units	16,808	5,454	2,197	-	24,459
Due from other funds	40,000	-	-	-	40,000
Total assets	<u>\$ 240,423</u>	<u>\$ 158,297</u>	<u>\$ 77,150</u>	<u>\$ 109,806</u>	<u>\$ 585,676</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts payable	\$ 21,615	\$ 1,683	\$ 214	\$ -	\$ 23,512
Accrued expenditures	12,443	-	-	-	12,443
Deferred revenue	-	-	-	640	640
Total liabilities	<u>34,058</u>	<u>1,683</u>	<u>214</u>	<u>640</u>	<u>36,595</u>
Fund Balances:					
Reserved:					
Perpetual care and endowment	-	-	-	107,109	107,109
Unreserved;undesignated	206,365	156,614	76,936	-	439,915
Unreserved;undesignated-					
reported in nonmajor:					
Special revenue funds	-	-	-	2,057	2,057
Total fund balances	<u>206,365</u>	<u>156,614</u>	<u>76,936</u>	<u>109,166</u>	<u>549,081</u>
Total liabilities and fund balances	<u>\$ 240,423</u>	<u>\$ 158,297</u>	<u>\$ 77,150</u>	<u>\$ 109,806</u>	<u>\$ 585,676</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets  
of Governmental Activities on the Statement of Net Assets  
February 28, 2006

<b>Total Fund Balances - Governmental Funds</b>	\$ 549,081
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 2,393,470

Accumulated depreciation is

(822,557)

1,570,913

Internal service funds are used by management to charge the costs of certain  
equipment usage and administrative costs to individual governmental funds.  
The assets and liabilities of the internal service funds are included in governmental  
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

35,564

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Bonds payable

(190,000)

Lease payable

(81,590)

Accrued interest

(2,163)

**Total Net Assets - Governmental Activities**

**\$ 1,881,805**

**Village of Stockbridge**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes	\$ 263,957	\$ -	\$ 42,289	\$ -	\$ 306,246
Licenses and permits	8,412	-	-	-	8,412
Intergovernmental	122,613	55,853	22,495	-	200,961
Charges for services	42,667	-	-	20,087	62,754
Other	<u>129,033</u>	<u>1,419</u>	<u>553</u>	<u>4,798</u>	<u>135,803</u>
Total revenues	<u>566,682</u>	<u>57,272</u>	<u>65,337</u>	<u>24,885</u>	<u>714,176</u>
<b>Expenditures:</b>					
Legislative	60,641	-	-	-	60,641
General government	219,409	-	-	32,106	251,515
Public safety	129,487	-	-	-	129,487
Public works	52,468	35,034	25,458	-	112,960
Culture and recreation	18,372	-	-	-	18,372
Debt service:					
Principal payments	-	-	-	20,000	20,000
Interest and fiscal charges	-	-	-	12,373	12,373
Other	<u>50,031</u>	<u>-</u>	<u>-</u>	<u>537</u>	<u>50,568</u>
Total expenditures	<u>530,408</u>	<u>35,034</u>	<u>25,458</u>	<u>65,016</u>	<u>655,916</u>
<b>Revenues Over (Under) Expenditures</b>	<u>36,274</u>	<u>22,238</u>	<u>39,879</u>	<u>(40,131)</u>	<u>58,260</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	3,000	8,763	46,459	58,222
Operating transfers out	<u>(54,840)</u>	<u>-</u>	<u>-</u>	<u>(4,785)</u>	<u>(59,625)</u>
Total other financing sources (uses)	<u>(54,840)</u>	<u>3,000</u>	<u>8,763</u>	<u>41,674</u>	<u>(1,403)</u>
<b>Net Changes in Fund Balances</b>	<u>(18,566)</u>	<u>25,238</u>	<u>48,642</u>	<u>1,543</u>	<u>56,857</u>
<b>Fund Balances - Beginning of Year</b>	<u>224,931</u>	<u>131,376</u>	<u>28,294</u>	<u>107,623</u>	<u>492,224</u>
<b>Fund Balances - End of Year</b>	<u>\$ 206,365</u>	<u>\$ 156,614</u>	<u>\$ 76,936</u>	<u>\$ 109,166</u>	<u>\$ 549,081</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended February 28, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>56,857</b>
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (36,963)	
Capital outlay	<u>-</u>	(36,963)

Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Repayment to bond holders		20,000
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An internal service fund is used by management to charge the costs of  
certain equipment usage to individual governmental funds. The net revenue  
(expense) of the fund attributable to those funds is reported with  
governmental activities.

Net operating income from governmental activities in the internal service fund		6,147
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Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and therefore are not reported as expenditures  
in the funds.

Decrease in accrued interest payable on bonds		<u>-</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>46,041</u></b>
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# Village of Stockbridge

## Statement of Net Assets

### Proprietary Funds

February 28, 2006

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water	Sewer	Total	Internal Service Fund
<b>Assets:</b>				
Current assets:				
Cash	\$ (27,850)	\$ 105,241	\$ 77,391	\$ 36,908
Accounts receivable	25,697	58,937	84,634	-
Total current assets	(2,153)	164,178	162,025	36,908
Restricted assets:				
Cash	34,710	89,465	124,175	-
Property, plant and equipment:				
Land	-	79,111	79,111	-
Construction in progress	-	2,586,477	2,586,477	-
Main and accessories	-	3,135,896	3,135,896	-
Machinery and equipment	-	18,686	18,686	333,369
Improvements	-	308,105	308,105	-
Water system	876,645	-	876,645	-
Less accumulated depreciation	(340,203)	(1,233,025)	(1,573,228)	(219,531)
Total property, plant and equipment	536,442	4,895,250	5,431,692	113,838
Total assets	568,999	5,148,893	5,717,892	150,746
<b>Liabilities:</b>				
Current liabilities (payable from current assets):				
Accounts payable	4,707	6,301	11,008	1,344
Current portion of long-term debt	10,000	155,000	165,000	21,000
Accrued interest	1,881	26,008	27,889	-
Due to other funds	40,000	-	40,000	-
Total current liabilities (payable from current assets)	56,588	187,309	243,897	22,344
Noncurrent liabilities:				
SRF loan payable	-	2,253,940	2,253,940	-
Bonds payable	65,000	400,000	465,000	-
Lease payable	-	-	-	60,590
Total noncurrent liabilities	65,000	2,653,940	2,718,940	60,590
Total liabilities	121,588	2,841,249	2,962,837	82,934
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	459,561	2,060,302	2,519,863	32,248
Unrestricted	(12,150)	247,342	235,192	35,564
Total net assets	\$ 447,411	\$ 2,307,644	\$ 2,755,055	\$ 67,812

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 146,012	\$ 352,020	\$ 498,032	\$ -
Rental income	-	-	-	38,850
Other	59	37,650	37,709	-
Total operating revenues	<u>146,071</u>	<u>389,670</u>	<u>535,741</u>	<u>38,850</u>
<b>Operating Expenses:</b>				
Administration	93,089	52,619	145,708	45,103
Operation and maintenance	-	163,640	163,640	-
Production	11,892	-	11,892	-
Water treatment	17,498	-	17,498	-
Distribution	66,252	-	66,252	-
Other	11,415	-	11,415	-
Total operating expenses	<u>200,146</u>	<u>216,259</u>	<u>416,405</u>	<u>45,103</u>
<b>Operating Income (Loss)</b>	<u>(54,075)</u>	<u>173,411</u>	<u>119,336</u>	<u>(6,253)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	2	5,903	5,905	-
Interest expense	(3,626)	(127,476)	(131,102)	-
Other income (expense)	-	-	-	12,400
Total nonoperating revenues (expenses)	<u>(3,624)</u>	<u>(121,573)</u>	<u>(125,197)</u>	<u>12,400</u>
<b>Net Income (Loss) Before Transfers</b>	<u>(57,699)</u>	<u>51,838</u>	<u>(5,861)</u>	<u>6,147</u>
<b>Transfers In From Other Funds</b>	<u>33,613</u>	<u>25,700</u>	<u>59,313</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>(24,086)</u>	<u>77,538</u>	<u>53,452</u>	<u>6,147</u>
<b>Net Assets - Beginning of Year</b>	<u>471,497</u>	<u>2,230,106</u>	<u>2,701,603</u>	<u>61,665</u>
<b>Net Assets - End of Year</b>	<u>\$ 447,411</u>	<u>\$ 2,307,644</u>	<u>\$ 2,755,055</u>	<u>\$ 67,812</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Cash Flows  
Enterprise Funds  
Year Ended February 28, 2006

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers, residents and users	\$ 142,597	\$ 387,604	\$ 530,201	\$ 38,850
Payments to suppliers	(180,492)	(123,728)	(304,220)	(31,842)
Payments to employees	(34,256)	(60,720)	(94,976)	(10,367)
Net cash provided by (used in) operating activities	(72,151)	203,156	131,005	(3,359)
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers in	33,613	25,700	59,313	-
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from borrowing	-	1,073,628	1,073,628	81,590
Purchase of capital assets, net	-	(1,049,359)	(1,049,359)	(107,815)
Principal and interest on capital debt	(38,626)	(257,476)	(296,102)	-
Net cash used by capital and related financing activities	(38,626)	(233,207)	(271,833)	(26,225)
<b>Cash Flows From Investing Activities:</b>				
Other nonoperating income received	-	-	-	12,400
Interest income received	2	5,903	5,905	-
Net cash provided by investing activities	2	5,903	5,905	12,400
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(77,162)	1,552	(75,610)	(17,184)
<b>Cash and Cash Equivalents - Beginning of Year</b>	84,022	193,154	277,176	54,092
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 6,860</u>	<u>\$ 194,706</u>	<u>\$ 201,566</u>	<u>\$ 36,908</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (54,075)	\$ 173,411	119,336	\$ (6,253)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	16,519	72,393	88,912	3,099
Changes in:				
Accounts receivable	(3,474)	(2,066)	(5,540)	-
Accounts payable	(28,716)	(45,350)	(74,066)	(205)
Accrued expenses	(2,405)	4,768	2,363	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (72,151)</u>	<u>\$ 203,156</u>	<u>\$ 131,005</u>	<u>\$ (3,359)</u>

See Notes to Financial Statements.



**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

**Description of Village Operations**

The Village of Stockbridge, Michigan, was incorporated under the provisions of Act of 1895, as amended (General Law Village). The Village operates under a Council form of government and provides various services to its residents in many areas including law enforcement, administration of justice, community enrichment and development and human services. The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

**Reporting Entity**

Generally accepted accounting principles require the reporting entity to include the Village of Stockbridge (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

**Discretely Presented Component Units**

Downtown Development Authority - The Downtown Development Authority (DDA) was formed to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

**Local Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

The government reports the following major proprietary funds:

**Water Fund** – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

**Sewer Fund** – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

**Permanent Funds** – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

**Internal Service Funds** – The internal service funds account for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

**Additional Financial Statement Presentation Information** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2006.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the enterprise funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Systems and improvements	10 - 50

**Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources. The Village has determined that the amount of accumulated sick days is immaterial and is not recorded in the government-wide financial statements.

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2004 had a taxable value of approximately \$31,000,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2005-06 was 10.74 mills for general operations and 2.00 mills for local street.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the Village of Stockbridge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

**2. Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in January, at which time hearings on the budget are scheduled. A Public Hearing is held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in February.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

**Village of Stockbridge**  
Notes to Financial Statements

**2. Stewardship, Compliance and Accountability (Continued)**

- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the Village Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

**3. Cash and Cash Equivalents**

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government	Component Unit	Total
Cash and investments	<u>\$ 545,413</u>	<u>\$ 201,566</u>	<u>\$ 746,979</u>	<u>\$ 209,718</u>	<u>\$ 956,697</u>

The breakdown between deposits and investments for the Village are as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 956,597
Petty cash and cash on hand	<u>100</u>
Total	<u>\$ 956,697</u>

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end, \$786,633 of the Village's bank balance of \$986,839 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**4. Receivables**

Receivables of the governmental activities of the primary government at year end, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 24,459
Other	<u>12,712</u>
	<u>\$ 37,171</u>

**Village of Stockbridge**  
Notes to Financial Statements

**5. Capital Assets**

Capital assets activity for the year ended February 28, 2006 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 304,778	\$ -	\$ -	\$ 304,778
Total capital assets not being depreciated	<u>304,778</u>	<u>-</u>	<u>-</u>	<u>304,778</u>
Capital assets being depreciated:				
Buildings and improvements	431,467	-	-	431,467
Equipment and vehicles	303,551	107,815	6,600	404,766
Infrastructure	<u>1,252,459</u>	<u>-</u>	<u>-</u>	<u>1,252,459</u>
Total capital assets being depreciated	<u>1,987,477</u>	<u>107,815</u>	<u>6,600</u>	<u>2,088,692</u>
Accumulated depreciation:				
Buildings and improvements	135,565	8,163	-	143,728
Equipment and vehicles	284,055	6,849	6,600	284,304
Infrastructure	<u>369,475</u>	<u>25,050</u>	<u>-</u>	<u>394,525</u>
Total accumulated depreciation	<u>789,095</u>	<u>40,062</u>	<u>-6,600</u>	<u>822,557</u>
Total capital assets being depreciated - net	<u>1,198,382</u>	<u>67,753</u>	<u>-</u>	<u>1,266,135</u>
Governmental activities capital assets - net	<u>\$1,503,160</u>	<u>\$ 67,753</u>	<u>\$ -</u>	<u>\$ 1,570,913</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 79,111	\$ -	-	\$ 79,111
Construction in progress	<u>1,895,709</u>	<u>690,768</u>	<u>-</u>	<u>2,586,477</u>
Total capital assets not being depreciated	<u>1,974,820</u>	<u>690,768</u>	<u>-</u>	<u>2,665,588</u>
Capital assets being depreciated:				
Systems and improvements	3,962,055	358,591	-	4,320,646
Machinery and equipment	<u>18,686</u>	<u>-</u>	<u>-</u>	<u>18,686</u>
Total capital assets being depreciated	<u>3,980,741</u>	<u>358,591</u>	<u>-</u>	<u>4,339,332</u>
Accumulated depreciation	<u>1,484,316</u>	<u>88,912</u>	<u>-</u>	<u>1,573,228</u>
Total capital assets being depreciated - net	<u>2,496,425</u>	<u>269,679</u>	<u>-</u>	<u>2,766,104</u>
Business-type activities capital assets - net	<u>\$4,471,245</u>	<u>\$ 960,447</u>	<u>\$ -</u>	<u>\$5,431,692</u>



**Village of Stockbridge**  
Notes to Financial Statements

**5. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 5,175
Public safety	712
Public works	25,049
Unallocated	6,027
Capital assets held by the Village's internal service funds are charged to the various functions based on their usage of the assets	<u>3,099</u>
Total depreciation expense – governmental activities	<u>\$ 40,062</u>
Business-Type Activities:	
Sewer	\$ 72,393
Water	<u>16,519</u>
Total depreciation expense – business-type activities	<u>\$ 88,912</u>

**6 Interfund Receivables, Payables and Transfers**

The Village reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 40,000	\$ -
Water Fund	<u>-</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Transfers:</b>		
General Fund	\$ -	\$ 54,840
Major Street	3,000	
Local Street	8,763	-
Cemetery Fund	13,549	-
Debt Fund	32,910	-
Water Fund	33,613	-
Sewer Fund	25,700	
Cemetery Perpetual Care Fund	-	4,785
Component Unit (DDA)	<u>-</u>	<u>57,910</u>
	<u>\$ 117,535</u>	<u>\$ 117,535</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Village of Stockbridge**  
Notes to Financial Statements

**7. Long-Term Debt**

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ <u>210,000</u>	\$ <u>-</u>	\$ <u>20,000</u>	\$ <u>190,000</u>	\$ <u>20,000</u>

The following is a summary of the general obligation debt outstanding of the Village as of February 28, 2006:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Obligation Bonds – Downtown Development Authority Limited Tax General Obligation Downtown Development Bonds, Series 1992	6.180 -6.250	2012	\$ <u>190,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,000	\$ 11,158	\$ 31,158
2008	25,000	9,778	34,778
2009	25,000	8,241	33,241
2010	25,000	6,698	31,698
2011	30,000	4,993	34,993
2012-2015	<u>65,000</u>	<u>4,218</u>	<u>69,218</u>
Total	\$ <u>190,000</u>	\$ <u>45,086</u>	\$ <u>235,086</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	\$ <u>1,975,312</u>	\$ <u>1,073,628</u>	\$ <u>(165,000)</u>	\$ <u>2,883,940</u>	\$ <u>165,000</u>

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1989 MI Municipal Revenue Refunding	7.50 - 7.55	2013	\$ 75,000
1989 MI Municipal Revenue Refunding	7.50 - 7.50	2008	65,000
2005 Special Assessment Bonds	3.75 - 4.00	2015	375,000
MI Revolving Loan Fund Program	1.25	2023	<u>2,368,940</u>
			\$ <u>2,883,940</u>

**Village of Stockbridge**  
Notes to Financial Statements

**7. Long-Term Debt (Continued)**

Annual debt service requirements to maturity on the above business-type bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 165,000	\$ 84,335	\$ 249,335
2008	185,000	78,774	263,774
2009	190,000	72,149	262,149
2010	175,000	65,398	240,398
2011	175,000	60,023	235,023
2012-2016	900,000	217,927	1,117,927
2017-2021	765,000	105,778	870,778
2022-2023	<u>510,000</u>	<u>16,016</u>	<u>526,016</u>
Total	<u>\$3,065,000</u>	<u>\$ 700,400</u>	<u>\$3,765,400</u>

The difference between outstanding balance and annual debt service balance is due to the Michigan Revolving Loan Fund Program, which is an ongoing project for the Village. The entire approved amount is \$2,770,000. The Village has draws on the Loan of \$2,368,940 as of February 28, 2006. The above interest amounts are estimates based on the amount for the entire balance when complete of \$2,550,000.

**8. Retirement System**

**Description of Plan and Plan Assets**

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the Village's personnel policy and requires a contribution from the employees of 5% of gross wages. The Village is required to contribute at an actuarially determined rate.

**Annual Pension Cost**

For the year ended February 28, 2006, the Village's annual pension cost of \$27,519 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method and the employer contribution amounts which are developed as a level percentage of payroll. Significant actuarial assumptions used include; 8% investment rate of return and projected salary increases of 4.5% per year. Both were determined using techniques that smooth the effects of short-term volatility over a four year period. The unfounded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**Village of Stockbridge**  
Notes to Financial Statements

**8. Retirement System (Continued)**

Three-Year Trend Information as of December 31 follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Annual Pension Cost	\$ 14,945	\$ 14,558	\$ 22,034
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	167,755	165,082	162,857
Actuarial Accrued Liability	471,475	422,774	262,849
Unfunded AAL	303,720	257,692	99,992
Funded Ration	36%	39%	62%
Covered Payroll	143,367	81,972	176,927
UAAL as a Percentage of Covered Payroll	212%	314%	57%

**10. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**11. Contingencies**

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

The Village has also been assessed an amount due for over-collected tax revenues within the Downtown Development Authority. The Village does not agree with the assessment and the amount has not been recorded in these financial statements.

**12. Segment Information – Enterprise Funds**

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are segments, and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

## **Required Supplemental Information**

**Village of Stockbridge**  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget to Actual  
General Fund and Major Special Revenue Funds  
Year Ended February 28, 2006

	General Fund			Major Street Fund			Local Street Fund		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	<u>Budget</u>	
<b>Revenues:</b>									
Taxes	\$ 253,000	\$ 253,000	\$ 263,957	\$ -	\$ -	\$ -	\$ 46,098	\$ 46,098	\$ 42,289
Licenses and permits	5,500	5,500	8,412	-	-	-	-	-	-
Intergovernmental	120,860	120,860	122,613	50,000	50,000	55,853	20,000	20,000	22,495
Charges for services	39,500	39,500	42,667	-	-	-	-	-	-
Other	85,400	85,400	129,033	800	800	1,419	1,650	1,650	553
Total revenues	<u>504,260</u>	<u>504,260</u>	<u>566,682</u>	<u>50,800</u>	<u>50,800</u>	<u>57,272</u>	<u>67,748</u>	<u>67,748</u>	<u>65,337</u>
<b>Expenditures:</b>									
Current operations:									
Legislative	38,120	38,120	60,641	-	-	-	-	-	-
General government	220,013	235,490	219,409	-	-	-	-	-	-
Public safety	160,141	160,141	129,487	-	-	-	-	-	-
Public works	55,550	55,550	52,468	50,800	50,800	35,034	67,748	67,748	25,458
Culture and recreation	10,800	11,045	18,372	-	-	-	-	-	-
Other	19,636	21,035	50,031	-	-	-	-	-	-
Total expenditures	<u>504,260</u>	<u>521,381</u>	<u>530,408</u>	<u>50,800</u>	<u>50,800</u>	<u>35,034</u>	<u>67,748</u>	<u>67,748</u>	<u>25,458</u>
<b>Revenues Over (Under) Expenditures</b>	-	<u>(17,121)</u>	<u>36,274</u>	-	-	<u>22,238</u>	-	-	<u>39,879</u>
<b>Other Financing Sources (Uses):</b>									
Operating transfers in	-	-	-	-	-	3,000	-	-	8,763
Operating transfers out	-	-	(51,840)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	<u>(51,840)</u>	-	-	<u>3,000</u>	-	-	<u>8,763</u>
<b>Net Changes in Fund Balances</b>	-	<u>(17,121)</u>	<u>(15,566)</u>	-	-	<u>25,238</u>	-	-	<u>48,642</u>
<b>Fund Balances - Beginning of Year</b>	<u>224,931</u>	<u>224,931</u>	<u>224,931</u>	<u>131,376</u>	<u>131,376</u>	<u>131,376</u>	<u>28,294</u>	<u>28,294</u>	<u>28,294</u>
<b>Fund Balances - End of Year</b>	<u>\$ 224,931</u>	<u>\$ 207,810</u>	<u>\$ 209,365</u>	<u>\$ 131,376</u>	<u>\$ 131,376</u>	<u>\$ 156,614</u>	<u>\$ 28,294</u>	<u>\$ 28,294</u>	<u>\$ 76,936</u>

## **Other Supplemental Information**

**Village of Stockbridge**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2006

	Cemetery - Special Revenue Fund	1992 Debt Service Fund	Permanent Funds	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,697	\$ -	\$ 107,109	\$ 109,806
Total assets	<u>\$ 2,697</u>	<u>\$ -</u>	<u>\$ 107,109</u>	<u>\$ 109,806</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Deferred revenue	\$ 640	\$ -	\$ -	\$ 640
Total liabilities	<u>640</u>	<u>-</u>	<u>-</u>	<u>640</u>
Fund Balances:				
Reserved for perpetual care and endowment	-	-	107,109	107,109
Unreserved:				
Unreserved; undesignated	<u>2,057</u>	<u>-</u>	<u>-</u>	<u>2,057</u>
Total fund balances	<u>2,057</u>	<u>-</u>	<u>107,109</u>	<u>109,166</u>
Total liabilities and fund balances	<u>\$ 2,697</u>	<u>\$ -</u>	<u>\$ 107,109</u>	<u>\$ 109,806</u>



**Village of Stockbridge**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended February 28, 2006

	<b>Cemetery - Special Revenue Fund</b>	<b>1992 Debt Service Fund</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Charges for services	\$ 18,876	\$ -	\$ 1,211	\$ 20,087
Other	-	-	4,798	4,798
Total revenues	<u>18,876</u>	<u>-</u>	<u>6,009</u>	<u>24,885</u>
<b>Expenditures:</b>				
General government	31,967	-	139	32,106
Debt service:				
Principal payments	-	20,000	-	20,000
Interest and fiscal charges	-	12,373	-	12,373
Capital outlay	-	537	-	537
Total expenditures	<u>31,967</u>	<u>32,910</u>	<u>139</u>	<u>65,016</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(13,091)</u>	<u>(32,910)</u>	<u>5,870</u>	<u>(40,131)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	13,549	32,910	-	46,459
Operating transfers out	-	-	(4,785)	(4,785)
Total other financing sources (uses)	<u>13,549</u>	<u>32,910</u>	<u>(4,785)</u>	<u>41,674</u>
<b>Changes in Fund Balances</b>	458	-	1,085	1,543
<b>Fund Balances - Beginning of Year</b>	<u>1,599</u>	<u>-</u>	<u>106,024</u>	<u>107,623</u>
<b>Fund Balances - End of Year</b>	<u>\$ 2,057</u>	<u>\$ -</u>	<u>\$ 107,109</u>	<u>\$ 109,166</u>

**Village of Stockbridge**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
Major Street Fund  
Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
State grants	\$ 50,000	\$ 55,853	\$ 5,853
Interest and rentals	800	1,419	619
Total revenues	<u>50,800</u>	<u>57,272</u>	<u>6,472</u>
<b>Expenditures:</b>			
Highways and streets:			
Maintenance	17,600	12,500	5,100
Traffic services	2,500	856	1,644
Snow and ice control	11,150	11,423	(273)
Storm sewer	3,150	1,755	1,395
Administration	<u>16,400</u>	<u>8,500</u>	<u>7,900</u>
Total expenditures	<u>50,800</u>	<u>35,034</u>	<u>15,766</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>22,238</u>	<u>22,238</u>
Operating transfers in	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Total other financing sources (uses)	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<b>Net Changes in Fund Balances</b>	<u>-</u>	<u>25,238</u>	<u>25,238</u>
<b>Fund Balances - Beginning of Year</b>	<u>131,376</u>	<u>131,376</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 131,376</u>	<u>\$ 156,614</u>	<u>\$ 25,238</u>

**Village of Stockbridge**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Local Street Fund  
Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 46,098	\$ 42,289	\$ (3,809)
State grants	20,000	22,495	2,495
Interest and rentals	<u>1,650</u>	<u>553</u>	<u>(1,097)</u>
Total revenues	<u>67,748</u>	<u>65,337</u>	<u>(2,411)</u>
<b>Expenditures:</b>			
Highways and streets:			
Maintenance	19,150	13,377	5,773
Construction	20,375	-	20,375
Traffic services	11,714	894	10,820
Snow and ice control	6,745	9,157	(2,412)
Storm sewer	3,214	1,406	1,808
Administration	<u>6,550</u>	<u>624</u>	<u>5,926</u>
Total expenditures	<u>67,748</u>	<u>25,458</u>	<u>42,290</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>39,879</u>	<u>39,879</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	<u>-</u>	<u>8,763</u>	<u>8,763</u>
Total other financing sources (uses)	<u>-</u>	<u>8,763</u>	<u>8,763</u>
<b>Net Changes in Fund Balances</b>	<u>-</u>	<u>48,642</u>	<u>48,642</u>
<b>Fund Balances - Beginning of Year</b>	<u>28,294</u>	<u>28,294</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 28,294</u>	<u>\$ 76,936</u>	<u>\$ 48,642</u>

**Village of Stockbridge**  
Combining Balance Sheet  
Nonmajor Permanent Funds  
February 28, 2006

	Cemetery Flower Fund	Cemetery Perpetual Care Fund	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 9,283	\$ 97,826	\$ 107,109
Total assets	<u>\$ 9,283</u>	<u>\$ 97,826</u>	<u>\$ 107,109</u>
<b><u>Fund Balances</u></b>			
Fund Balances:			
Reserved for perpetual care and endowment	\$ 9,283	\$ 97,826	\$ 107,109
Total fund balances	<u>9,283</u>	<u>97,826</u>	<u>107,109</u>
Total liabilities and fund balances	<u>\$ 9,283</u>	<u>\$ 97,826</u>	<u>\$ 107,109</u>

**Village of Stockbridge**  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Permanent Funds  
Year Ended February 28, 2006

	Cemetery Flower Fund	Cemetery Perpetual Care Fund	Total
<b>Revenues:</b>			
Fees	\$ -	\$ 1,211	\$ 1,211
Other	13	4,785	4,798
Total revenues	13	5,996	6,009
<b>Expenditures:</b>			
General government	139	-	139
<b>Revenues Over (Under) Expenditures</b>	(126)	5,996	5,870
<b>Other Financing Uses:</b>			
Operating transfers out	-	(4,785)	(4,785)
<b>Changes in Fund Balances</b>	(126)	1,211	1,085
<b>Fund Balances - Beginning of Year</b>	9,409	96,615	106,024
<b>Fund Balances - End of Year</b>	\$ 9,283	\$ 97,826	\$ 107,109

**Village of Stockbridge**  
**Statement of Revenues -**  
**Budget to Actual**  
**General Fund**  
(With Comparative Amounts from the Prior Year)  
Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2005</u>
<b>Revenues:</b>				
Taxes and penalties:				
Property taxes	\$ 252,500	\$ 263,589	\$ 11,089	\$ 248,802
Penalties and interest on taxes	<u>500</u>	<u>368</u>	<u>(132)</u>	<u>236</u>
Total taxes and penalties	<u>253,000</u>	<u>263,957</u>	<u>10,957</u>	<u>249,038</u>
Licenses and permits:				
Business permits	2,000	3,906	1,906	2,720
Nonbusiness permits	1,500	1,591	91	2,234
Zoning and map review	<u>2,000</u>	<u>2,915</u>	<u>915</u>	<u>2,565</u>
Total licenses and permits	<u>5,500</u>	<u>8,412</u>	<u>2,912</u>	<u>7,519</u>
State grants:				
Sales tax revenue sharing	119,360	120,801	1,441	122,528
Liquor tax	<u>1,500</u>	<u>1,812</u>	<u>312</u>	<u>151</u>
Total state grants	<u>120,860</u>	<u>122,613</u>	<u>1,753</u>	<u>122,679</u>
Charges for services:				
Refuse collection	36,000	39,064	3,064	36,609
Property tax administration fee	<u>3,500</u>	<u>3,603</u>	<u>103</u>	<u>3,483</u>
Total charges for services	<u>39,500</u>	<u>42,667</u>	<u>3,167</u>	<u>40,092</u>
Interest and rentals:				
Interest	2,000	5,702	3,702	3,884
Rentals	<u>15,400</u>	<u>23,302</u>	<u>7,902</u>	<u>15,039</u>
Total interest and rentals	<u>17,400</u>	<u>29,004</u>	<u>11,604</u>	<u>18,923</u>
Other revenue:				
Miscellaneous	<u>68,000</u>	<u>100,029</u>	<u>32,029</u>	<u>64,043</u>
Total revenues	<u>\$ 504,260</u>	<u>\$ 566,682</u>	<u>\$ 62,422</u>	<u>\$ 502,294</u>

**Village of Stockbridge**  
Statement of Expenditures -  
Budget to Actual  
General Fund  
(With Comparative Amounts from the Prior Year)  
Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2005</u>
<b>Expenditures:</b>				
Legislative				
Village council	\$ 38,120	\$ 60,641	\$ (22,521)	\$ 72,363
General government				
President	2,430	1,925	505	1,992
Manager	64,600	63,900	700	62,499
Clerk	11,400	11,282	118	12,957
External audit	2,251	2,976	(725)	1,501
Treasurer	11,400	11,306	94	10,851
Elections	-	-	-	1,007
Building and grounds	140,659	126,301	14,358	90,112
Other	2,750	1,719	1,031	2,311
Total general government	235,490	219,409	16,081	183,231
Public safety				
Police	154,741	122,430	32,311	64,090
Building inspection	5,400	7,057	(1,657)	5,657
Total public safety	160,141	129,487	30,654	69,747
Public works				
Sidewalks	3,750	2,041	1,709	584
Street lighting	15,800	14,777	1,023	16,051
Refuse collection	36,000	35,650	350	37,039
Total public works	55,550	52,468	3,082	53,674
Culture and recreation				
Veterans Memorial Park	11,045	18,372	(7,327)	9,321
Other				
Fringe benefits and payroll taxes	21,035	50,031	(28,996)	43,326
Total expenditures	\$ 521,381	\$ 530,408	\$ (9,027)	\$ 431,663

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
General Obligation Bonds  
February 28, 2006

**Governmental - Limited Tax General Obligation  
Bond 1992**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2005</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
Augusts 1, 1992	\$ 350,000					
		6.164%	6/1/2005	\$ 20,000		
		6.193%	6/1/2006	20,000	\$ 20,000	\$ 11,158
		6.204%	6/1/2007	25,000	25,000	9,778
		6.214%	6/1/2008	25,000	25,000	8,241
		6.227%	6/1/2019	25,000	25,000	6,698
		6.234%	6/1/2010	30,000	30,000	4,993
		6.250%	6/1/2011	30,000	30,000	3,125
		6.250%	6/1/2012	35,000	35,000	1,093
				<u>\$ 210,000</u>	<u>\$ 190,000</u>	<u>\$ 45,086</u>



**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2006

**Water Supply and Distribution System Revenue Bond  
Series 1990**

**Water Supply and Distribution System Revenue Refunding Bond  
Series 1989**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2005</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
March 23, 1989	\$ 230,000					
		7.500%	11/1/2005	\$ 10,000		
		7.500%	11/1/2006	10,000	\$ 10,000	\$ 5,642
		7.500%	11/1/2007	10,000	10,000	4,893
		7.500%	11/1/2008	10,000	10,000	4,143
		7.500%	11/1/2009	10,000	10,000	3,393
		7.550%	11/1/2010	10,000	10,000	2,642
		7.550%	11/1/2011	10,000	10,000	1,888
		7.550%	11/1/2012	10,000	10,000	1,133
		7.550%	11/1/2013	5,000	5,000	378
				<u>\$ 85,000</u>	<u>\$ 75,000</u>	<u>\$ 24,112</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2006

**Sanitary Sewage Collection and Treatment System Revenue Refunding Bond  
Series 1989**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2005</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
March 23, 1989	\$ 315,000					
		7.500%	11/1/2005	\$ 25,000		
		7.500%	11/1/2006	25,000	\$ 25,000	\$ 4,875
		7.500%	11/1/2007	20,000	20,000	3,000
		7.500%	11/1/2008	20,000	20,000	1,500
				<u>\$ 90,000</u>	<u>\$ 65,000</u>	<u>\$ 9,375</u>

**Special Assessment Bonds  
Series 2005**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2005</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
September 29, 2005	\$ 375,000					
		3.750%	9/1/2006	\$ -	\$ 15,000	\$ 14,281
		3.750%	9/1/2007	-	40,000	13,250
		3.750%	9/1/2008	-	40,000	11,750
		3.750%	9/1/2009	-	40,000	10,250
		3.750%	9/1/2010	-	40,000	8,750
		4.000%	9/1/2011	-	40,000	7,200
		4.000%	9/1/2012	-	40,000	5,600
		4.000%	9/1/2013	-	40,000	4,000
		4.000%	9/1/2014	-	40,000	2,400
		4.000%	9/1/2015	-	40,000	800
				<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 78,281</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2006

**Michigan Revolving Loan Fund Program  
Series 2003**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2005</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
September 25, 2003	\$ 2,770,000					
		2.500%	10/1/2005	\$ 110,000	\$ -	\$ -
		2.500%	10/1/2006	115,000	115,000	59,537
		2.500%	10/1/2007	115,000	115,000	57,631
		2.500%	10/1/2008	120,000	120,000	54,756
		2.500%	10/1/2009	125,000	125,000	51,755
		2.500%	10/1/2010	125,000	125,000	48,631
		2.500%	10/1/2011	130,000	130,000	45,506
		2.500%	10/1/2012	130,000	130,000	42,256
		2.500%	10/1/2013	135,000	135,000	39,005
		2.500%	10/1/2014	140,000	140,000	35,631
		2.500%	10/1/2015	140,000	140,000	32,130
		2.500%	10/1/2016	145,000	145,000	28,631
		2.500%	10/1/2017	150,000	150,000	25,006
		2.500%	10/1/2018	155,000	155,000	21,255
		2.500%	10/1/2019	155,000	155,000	17,381
		2.500%	10/1/2020	160,000	160,000	13,505
		2.500%	10/1/2021	165,000	165,000	9,506
		2.500%	10/1/2022	170,000	170,000	5,380
		2.500%	10/1/2023	175,000	175,000	1,130
				<u>\$ 2,660,000</u>	<u>\$ 2,550,000</u>	<u>\$ 588,632</u>





April 28, 2006

Members of Village Council  
Village of Stockbridge  
Stockbridge, Michigan

We have audited the financial statements of the Village of Stockbridge for the year ended February 28, 2006, and have issued our report thereon dated April 28, 2006.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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**WILLIS & JURASEK, P.C.**

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#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year end.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

**Village of Stockbridge**  
Comments and Recommendations  
Year Ended February 28, 2006

Prior Year Comments

Audit Adjustments

While improvements continue to be made in this area, we still had to make a fairly large amount of journal entries at year end. We would recommend that prior to year end closing that the balance sheet items be analyzed and adjustments made prior to the audit. We still made some entries for reversing amounts from last year, such as accounts receivable, accounts payable, accrued payroll, etc. and for recording the current year amounts for those items.

Budget

Public Act 621 requires budget amendments prior to actual expenditures being made if expenditures exceed budgeted amounts. During the year, the Village had certain actual amounts that exceeded the budget at year-end. While the amounts were minor in nature, procedures should be put in place to amend the budget as needed during the year when expenditures exceed the budget. This may require budget amendments to be made periodically during the fiscal year.

Current Year Comments

Segregation of Duties:

Substantially all of the accounting and financial management functions of the Village are performed by two individuals. While the size and resources of the Village are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.

Downtown Development Authority

The issues with the prior overcapture of taxes has been resolved in the past year. The DDA board needs to be mindful of the issue that your allowable capture of School taxes is getting smaller each year as the qualified debt is being repaid. Much of the collections for School taxes will no longer be allowed to be captured in the coming years. This needs to be clear in developing the budget amounts for the upcoming years.

There were delays in the tax receipts from the local Township for the DDA capture. An attempt should be made with the local Township to ensure timely receipt of the property taxes. There is a timeline on when taxes are supposed to be remitted and in the past year this did not happen timely.